

Message Text

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PAGE 01 EC BRU 03950 01 OF 02 140139Z

62/72

ACTION EB-11

INFO OCT-01 IO-13 ADP-00 AF-10 ARA-16 EA-11 EUR-25 NEA-10

RSC-01 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-02

H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03

AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-12

PRS-01 OMB-01 RSR-01 /227 W
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R 131610Z JUL 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5521

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

US MISSION GENEVA 5166

OECD PARIS

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

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PASS AGRICULTURE

C O R R E C T E D C O P Y FM LINE TO READ USMISSION EC BRUSSELS

VICE AMEMBASSY BRUSSELS

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PAGE 02 EC BRU 03950 01 OF 02 140139Z

E.O. 11652: N.A.

TAGS: EAGR, ETRD, EGEN, EEC

SUBJECT: EUROPEAN COMMUNITY REACTION TO ACTUAL AND
POTENTIAL US AGRICULTURAL EXPORT CONTROLS

REF: (A) STATE 135419; (B) EC BRUSSELS 3768; (C) EC BRUSSELS
3824; (D) EC BRUSSELS 3709; (E) EC BRUSSELS 3818

1. SUMMARY. US IMPOSITION OF AGRICULTURAL EXPORT CONTROLS HAS EVOKED DEEP CONCERN THROUGHOUT THE EUROPEAN COMMUNITY. WHILE THE EC COMMISSION HAS BEEN RESTRAINED IN ITS PUBLIC REACTION, THERE IS A SERIOUS UNDERCURRENT OF UNEASE ABOUT THE EFFECTS OF THESE MEASURES ON THE COMMUNITY'S SUPPLY AND PRICE SITUATION. WE ALSO HEAR WITH INCREASING FREQUENCY THE ARGUMENT THAT THE US EXPORT CONTROLS ACTIONS HAVE UNDERCUT THE US CASE FOR MAJOR LIBERALIZATION OF AGRICULTURAL TRADE IN THE MTN AND STRENGTHENED THE HAND OF THOSE IN THE COMMUNITY WHO FAVOR MAXIMUM EUROPEAN "SELF SUFFICIENCY" AND "ORGANIZATION" OF WORLD AGRICULTURAL MARKETS. THE EC COMMISSION HAS ALREADY TAKEN CERTAIN MEASURES IN VIEW OF THE TIGHT FARM SUPPLY SITUATION, SOME OF THEM PRIOR TO THE US ACTIONS. FURTHER MEASURES ARE BEING CONSIDERED. END SUMMARY.

2. AS ALREADY REPORTED (REFTELS B THROUGH E), THE EC COMMISSION'S INITIAL REACTION TO US AGRICULTURAL EXPORT CONTROLS HAS BEEN GENERALLY MODERATE. SENIOR OFFICIALS OF THE COMMISSION HAVE TOLD US THAT THEY ARE ADVISING PEOPLE WITHIN THE COMMUNITY'S INSTITUTIONS TO "KEEP THEIR COOL". WHILE SOME CRITICAL COMMENTS HAVE BEEN MADE PUBLICLY, EVEN LARDINOIS, THE COMMISSIONER PRIMARILY RESPONSIBLE FOR AGRICULTURE -- THEREFORE A RECIPIENT OF MOST OF THE DIRECT PRESSURES -- HAS AVOIDED SHARP PUBLIC CRITICISM. LARDINOIS HAS TOLD US THAT A PRIMARY MOTIVE FOR HIS JULY 20 WASHINGTON VISIT IS TO HELP KEEP THE POLITICAL SITUATION UNDER CONTROL. THE COMMISSION'S OUTWARD REACTIONS THUS CONTRAST SOMEWHAT WITH THE EMOTIONAL REACTIONS BY COMMUNITY TRADERS, AGRICULTURAL PRODUCERS, THE PRESS AND SOME GOVERNMENTS.

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PAGE 03 EC BRU 03950 01 OF 02 140139Z

3. NEVERTHELESS, PRIVATE REACTIONS OF COMMUNITY OFFICIALS REFLECT CONSIDERABLE UNEASE AND DISQUIET ABOUT THE PRESENT SITUATION AND ITS IMPLICATIONS FOR (A) THE COMMUNITY'S ECONOMY AND (B) US-EC RELATIONS, PARTICULARLY IF THE US SHOULD HAVE TO MAINTAIN EXPORT CONTROLS BEYOND THE CORP YEAR NOW ENDING.

4. THERE IS NO DOUBT THAT THE US EMBARGO ANNOUNCEMENT

AND SUBSEQUENT ACTIONS CAME AS A SHOCK TO COMMUNITY
OPINION WHICH HAS BEEN LIVING IN AN ENVIRONMENT OF
FARM SURPLUSES SINCE THE COMMUNITY'S INCEPTION -- AND
TENDED TO VIEW US FARM OUTPUT AS VIRTUALLY LIMITLESS.
WE HAVE PUT TO GOOD USE ALL AVAILABLE GUIDANCE AND INFOR-
MATION TO DOCUMENT THE CASE THAT, IN A TIGHT SUPPLY
SITUATION WHICH IS NOT THE FAULT OF US POLICY, WE ARE
IF FACT SHARING AVAILABLE SUPPLIES EQUITABLY AS
BETWEEN AMERICAN CONSUMERS AND OUR TRADITIONAL FOREIGN
CUSTOMERS.

5. AMONG COMMUNITY OFFICIALS -- AND DOUBTLESS IN
THE MEMBER STATES AS WELL -- WE INCREASINGLY HEAR
ARGUMENTS SUCH AS THE FOLLOWING: (A) THAT THE US
ACTION HAS GIVEN POWERFUL AMMUNITION TO THOSE ELEMENTS,
NOTABLY IN FRANCE, WHO MAINTAIN THAT THE US IS NOT A
RELIABLE SUPPLIER AND THAT THE COMMUNITY SHOULD TAKE
ALL POSSIBLE STEPS TO ASSURE ITS OWN AGRICULTURAL SUP-
PLIES FOR THE FUTURE; (B) THAT THE SHARP TRANSITION
FROM SURPLUSES AND LOW PRICES TO SHORTAGE AND HIGH
PRICES DEMONSTRATES THE VALIDITY OF THE COMMUNITY ARGUMENT
FOR INTERNATIONAL COMMODITY AGREEMENTS AND "ORGANIZATION
OF WORLD AGRICULTURAL MARKETS"; AND (C) THAT THE US
ACTIONS HAVE SUBSTANTIALLY WEAKENED THE US ARGUMENT FOR
"LIBERALIZATION" OF AGRICULTURAL TRADE IN THE CONTEXT
OF THE FORTHCOMING GATT MULTILATERAL NEGOTIATIONS. THE
QUESTION OF CAP REFORM (THE COMMISSION HAS ALREADY BEGUN
ITS REVIEW) WILL NOW BE SEEN IN A DIFFERENT LIGHT TO THE
EXTENT THAT THE GAP BETWEEN INTERNAL EC PRICES AND WORLD
MARKET PRICES IS NARROWED AND THE PROBLEM OF SURPLUSES
LOOKS MORE MANAGEABLE. OUR SOURCES POINT OUT THAT
IT WILL NOW BE MUCH MORE DIFFICULT FOR THE COMMISSION
OR OTHER MEMBER STATES TO RESIST FRENCH REQUESTS FOR
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PAGE 04 EC BRU 03950 01 OF 02 140139Z

A SOYBEAN CAP EVEN THOUGH PROSPECTS FOR SUBSTANTIAL
SOYBEAN PRODUCTION IN THE COMMUNITY ON AN ECONOMIC
BASIS REMAIN VERY SLIGHT.

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PAGE 01 EC BRU 03950 02 OF 02 131917Z

72

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INFO AMEMBASSY BONN

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PASS AGRICULTURE

6. WITH RELATIVELY LITTLE PUBLIC NOTICE, THE COMMUNITY
ITSELF HAS TAKEN A NUMBER OF RELATIVELY SMALL STEPS
IN COMMECTION WITH THE TIGHT AGRUCULTURAL SUPPLY
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PAGE 02 EC BRU 03950 02 OF 02 131917Z

SITUATION. SOME OF THESE MEASURES PRECEDED THE US
ACTION. ON MAY 29-30, THE COMMISSION ELIMINATED EXPORT
SUBSIDIES FOR GRAINS (EC BRUSSELS 3046). RICE EXPORT
SUBSIDIES WERE DISCONTINUED IN FEBRUARY AND RICE EXPORTS
EMBARGOED ON MAY 26 (EC BRUSSELS 2981). AT THE END
OF JUNE, FOLLOWING ANNOUNCEMENT OF US EXPORT CONTROL
ACTIONS, THE COMMUNITY ABOLISHED EXPORT SUBSIDIES FOR

RAPESEED AND SUNFLOWER SEED. ON JULY 11, THE COMMUNITY DISCONTINUED ITS EXPORT SUBSIDY FOR SKIM MILK POWDER.

7. SOME TIME AGO, THE COMMISSION SUBMITTED TO THE EC COUNCIL A CONTINGENCY PROPOSAL RELATING TO POSSIBLE "ESCAPE CLAUSE" ACTION IN THE GRAIN SECTOR TO SUPPLEMENT EXISTING COMMUNITY REGULATIONS PERTAINING TO MARKET DISTURBANCES. THE PROPOSAL TAKES ON PARTICULAR SIGNIFICANCE UNDER PRESENT CIRCUMSTANCES. IT ENVISAGES PARTIAL OR TOTAL SUSPENSION OF THE ISSUANCE OF EXPORT LICENSES AND/OR IMPOSITION OF EXPORT LEVIES IN CASE WORLD MARKET PRICES EXCEED THE EC THRESHOLD PRICES. ALTHOUGH EC IMPORT LEVIES ON MOST GRAINS ARE STILL FAIRLY HIGH, COMMISSION SOURCES TELL US THEY EXPECT A RAPID CHANGE IN THIS SITUATION, PARTICULARLY WITH REGARD TO DURUM WHEAT AND CORN. IT IS LIKELY THAT THE JULY 17 MEETING OF THE EC COUNCIL (AGMINS) WILL APPROVE THE PROPOSED "ESCAPE CLAUSE" REGULATIONS. GREENWALD

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